

Message Text

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21

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01

NSCE-00 EUR-25 SAJ-01 DRC-01 /191 W

----- 020797

R 180834Z JAN 74

FM AMCONSUL HONG KONG

TO AMEMBASSY TOKYO

INFO SECSTATE WASHDC 9312

USLO PEKING

LIMITED OFFICIAL USE HONG KONG 759

E.O. 11652: N/A

TAGS: ETRD, BEXP, JA, CH, US

SUBJECT: JAPANESE WITHDRAWAL FROM STEEL PLANT NEGOTIATIONS WITH THE
PRC

REF: TOKYO 13269, 10/13/73; TOKYO 7821, 6/21/73

1. WIRE SERVICES JANUARY 17 CARRIED REPORT THAT DUE TO SHARP INCREASES IN MATERIAL COSTS, JAPAN'S KAWASAKI STEEL CORPORATION HAD BEEN FORCED TO WITHDRAW FROM NEGOTIATIONS ON THE SALE OF A COLD PROCESS STEEL ROLLING MILL TO THE PRC. QUOTING FIRM'S MANAGING DIRECTOR, REPORTS STATED THAT KAWASAKI BROKE OFF THE TALKS BECAUSE IT COULD NOT MEET CHINESE REQUESTS FOR PRICE CUTS. (REUTERS, TOKYO, JANUARY 17) NO MENTION WAS MADE, HOWEVER, OF NEGOTIATIONS WITH THE NIPPON STEEL CORPORATION ON A COMPANION HOT PROCESS ROLLING MILL. CONTRACTS FOR BOTH MILLS WERE TO HAVE BEEN SIGNED ON SEPTEMBER 29, BUT TALKS WERE EXTENDED WHEN THE CHINESE ASKED FOR A REDUCTION IN PRICE (HK10056). LATER PRESS REPORTS INDICATED THAT AGREE-

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MENT HAD BEEN REACHED IN PRINCIPAL WITH CONTRACTS TO BE

SIGNED LATE IN 1973.

2. ACCORDING TO A JAPANESE HK CONGEN SOURCE (WHO SAID HIS INFORMATION WAS BASED ON JAPANESE PRESS REPORTS) THE COST OF THE ENTIRE PROJECT HAD RISEN FROM 100 BILLION YEN (\$333 MILLION) TO 130 BILLION YEN (\$433 MILLION). NIPPON STEEL, HOWEVER, WAS PREPARED TO GO AHEAD WITH ITS PLANT AT THE ORIGINAL PRICE EVEN THOUGH IT MEANT A 10 BILLION YEN (\$33 MILLION) LOSS FOR THE COMPANY. NIPPON'S DECISION WAS BASED ON ITS PRESIDENT'S PERSONAL PROMISE TO PREMIER CHOU EN-LAI TO COMPLETE THE PORJECT.

3. WHILE WE ARE AWARE THAT THE WEST GERMANS HAVE BEEN CONDUCTING PARALLEL NEGOTIATIONS ON A SIMILAR MILL, WE WONDER WHETHER KAWASAKI'S WITHDRAWAL MIGHT NOT PRESENT AN OPPORTUNITY FOR U.S. STEEL FIRMS. VIA CABLE INQUIRY TO TECHIMPORT, PERHAPS SOME U.S. COMPANY MAY WISH TO ASCERTAIN PRC'S INTEREST IN CONSIDERING ANOTHER SOURCE. MEANWHILE, ANY INFORMATION WHICH ADDRESSEE POSTS COULD PROVIDE ON THE STATUS OF JAPANESE OR WEST GERMAN NEGOTIATIONS WOULD BE WORTHWHILE.

OSBORN

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Message Attributes

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Copy: SINGLE
Draft Date: 18 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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